

Overheard at the 2013 Brookings Blum Roundtable

From researchers and advocates...



Smita Singh

Independent

"I was at the Brookings Blum Roundtable meeting eight years ago that also focused on the private sector and indeed much has changed. But one area where I am not sure enough has changed is the availability of early stage capital for promising investments in developing countries. This important function does not seem to be fulfilled by the large number of new private equity investors that are coming into these markets, nor does it seem to be a role that is being filled by the development finance institutions."

Chris Locke

Managing Director, Mobile for Development, GSMA

"A very exciting opportunity that we are seeing a certain amount of hype around in emerging markets is the concept of 'digital entrepreneurship' and the potential is there for a new kind of entrepreneur and for emerging markets that build on the experience of Silicon Valley. These emerging markets are mobile-first markets. We heard about Facebook and Yahoo recently having to develop mobile-first policies. Well, Kenya is a mobile-first country. It is only ever really known mobile as a way of accessing the Internet. So the potential there to see new entrepreneurs with new business models and technological innovations is phenomenal."



Laurence Chandy

Fellow, Global Economy and Development, Brookings Institution

"There are two competing visions for how to eliminate extreme poverty. One is inclusive growth, in which the private sector plays a key role, jobs are created, and the poor actively participate. The other is expanding the reach of social welfare to guarantee minimum living standards. And we have some data on the factors that account for poverty reduction over the last decade, and the split is around 50-50. That is, around half can be attributed to greater labor income for the poor, whether better wages, more hours worked, or more jobs per poor household. And the other half is attributed to non-labor income: transfers, subsidies, and remittances."



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Nancy Birdsall

President, Center for Global Development

“Who do you mean by ‘the poor’ when you say ‘serving the poor?’ Is it only \$1.25 per day and below? What is the bottom of the pyramid? The ‘poor’ is a much bigger group, from a business point of view. We have good evidence now that, under \$10 per day, you are income-insecure. The evidence in the development literature is that only when people get above \$10 per day, more or less, are most of them in the formal sector, with a pay stub. It would be good if more people thought not about ‘serving the poor’ as the objective, but instead about moving the currently poor above that \$10 line, into the middle class.”



Homi Kharas

Senior Fellow and Deputy Director, Global Economy and Development, Brookings Institution

“It seems almost obvious that the private sector would play a big role in development, but I think it is worth remembering that when the Millennium Development Goals were formed in 2000 and shaped there was almost no voice of the private sector in that conversation and almost no role for them in the actions that came out. Here we are less than 15 years later and the topic of the day is essentially that one cannot solve development problems without having the private sector centrally engaged.”



Ashish Karamchandani

Executive Director, Monitor Deloitte India

“Why is it so difficult to create market-based solutions for the poor? The first point is, it requires a different business model. The second thing is, we are working in tough environments. Often, pieces of the value chain do not exist. The third point is public goods. You want to sell the person a water filter; he wants to buy a mobile phone. Who is going to invest in making him understand the value of the water filter? Think about training of people for jobs. Who is going to pay for the training, because then your competitor is going to use them? And last but not the least, regulation. Regulation usually favors the incumbent.”



John Norris

Executive Director, Sustainable Security Initiative, Center for American Progress

“For private industry and for private capital, I think there is a real existential debate whether they are going to use their influence in the global system to maximize short-term profits by influencing the regulatory environment, or are they going to play the long game and realize that really trying to combat income inequality to bolster middle classes around the globe, and to maybe see slightly less profit in the short term, will ultimately lead to much more profit and much more sustainable profit over the long term.”



Kemal Derviş

Vice President, Global Economy and Development, *Brookings Institution*

“Traditionally development finance is defined as resources to the poorest countries. But there is also the financing of global public goods. If India, for example, decides to build a much cleaner energy sector, that definitely benefits India to some degree. But another dimension of that is it benefits the whole world including the richest countries, so there is a blending, between development finance and global public goods finance, which is a big topic that needs to be explored further.”

Randall Kempner

Executive Director, Aspen Network of Development Entrepreneurs, *Aspen Institute*

“I think there is a deep and fundamental difference between supporting base of the pyramid businesses and other businesses. At the base of the pyramid, small firms face deep limitations in their strategic choice options. In terms of core strategy, there is not much ability to differentiate, so you have to pick ‘low cost.’ You cannot spend a lot of money on marketing, advertising or distribution. You can’t invest much on R&D or talent development either, unless someone else is paying for it. So, the tools that are available to you as a manager are curtailed, which makes running the business all the tougher. As an investor then, you are forced to consider firms that have some greater structural limitations than typical investment targets.”



John Page

Senior Fellow, Global Economy and Development, *Brookings Institution*

“I think we need impact investing as part of the financial system, because there is still risk—notwithstanding our aspirations for growth in Africa—that a large number of people would otherwise be left behind. However, it is important not to lose sight of the rest of the financial system—banks and other forms of portfolio investment. What you find in the poorest countries is that these are underdeveloped in almost every aspect.”

Sam Worthington

President and CEO, *InterAction*

“The end game in development partnerships is ultimately about forging relationships between the nation-state, local civil society and the local private sector. If trust is not built upfront, and if a role for civil society especially is not established upfront in these ventures, down the road you are going to have society critiquing you. So it is not just at the policy level that we are talking about leveraging partnerships but also at the actual design and implementation level, with different actors being brought in upfront to avoid conflicts in the long run.”

